

SECTION 7

TREASURY MANAGEMENT AND PRUDENTIAL INDICATORS

Report to: Executive Board – 7th February 2005

TREASURY MANAGEMENT AND PRUDENTIAL INDICATORS 2005/2006

Report of: Strategic Director for Finance & Corporate Services	WARDS AFFECTED ALL
Report Author: Mike Baish Finance & Asset Management Business Manager Tel No. 01865 252708 Email: mbaish@oxford.gov.uk	
Lead Member Responsible: Cllr. Alex Hollingsworth	
Overview and Scrutiny Committee Responsibility: Finance	
Key Decision: Yes	
SUMMARY AND RECOMMENDATIONS	
Summary	
The treasury management policy sets out the Council's approach to all treasury operations, management, reporting and performance assessment.	
The treasury management strategy governs the operation of the treasury function and its likely activities for the forthcoming year.	
The Prudential Indicators reflect the Council's plans for capital funding and treasury management and provide a base against which actual performance can be measured.	
Recommendations	
Executive Board is asked to approve:	
a) the treasury management policy at Appendix A	
b) the treasury management strategy at Appendix B	
c) the prudential indicators at Appendix C	

Section 1 – Treasury Management Policy

The Council is required¹ to determine certain fundamental elements of financial policy annually for the forthcoming financial year. The Code of Practice for Treasury Management in Public Authorities (the code), which the Council has adopted, recommends the formal approval of a Treasury Policy statement.

The Treasury Policy statement, last approved by Executive Board on 15th March 2004² and amended on 30th November 2004³ has been reviewed and a proposed revised statement is attached at Appendix A. There are no major changes, the only amendment being to increase the maximum periods for non-specified investments following advice from our Treasury advisors. The purpose of this is to provide additional flexibility in managing the Council's investments to take advantage of any opportunities to obtain a higher yield without increased risk.

Executive Board are recommended to approve the Treasury Policy at Appendix A.

Section 2 – Treasury Management Strategy

The Treasury Policy referred to in Section 1 above requires an annual treasury management strategy to be reported to Executive Board outlining the expected activity for the forthcoming financial year. A key purpose of this report is to provide a risk assessment of the activity and propose a strategy for managing identified risks.

The strategy for 2005/2006 includes:

- a) commentary on the economic position and forecasts for interest rate movements
- b) the current treasury position
- c) an investment strategy
- d) a borrowing strategy

Section 3 – Prudential Indicators

An integral part of its Treasury Management Policy and Strategy and of its budget consideration is the approval of prudential indicators. These outline the plans for the funding of the capital programme and demonstrate that in setting its capital programme and revenue budgets the Council has taken into account the issues of affordability, sustainability and prudence. The proposed indicators for 2005/2006 and the subsequent 2 years and a comparison of the indicators originally set for 2004/2005 with the likely results for the year are shown at Appendix C.

¹ Local Government and Housing Act 1989, section 45

² Minute 363 15th March 2004

³ Minute 183 30th November 2004

TREASURY MANAGEMENT POLICY

1.0 Introduction and Report Summary

- 1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) has produced a revised Code of Practice for Treasury Management in the Public Services (the Code) and adoption of the recommendations by an individual local authority as part of its standing orders or financial regulations gives it the status of "... a code of practice made or approved by or under any enactment", and hence proper practice under the provisions of the Local Government and Housing Act 1989.
- 1.2 Oxford City Council believes that risk cannot be wholly controlled; however it can be managed and therefore defines its treasury management activities as:
- 1.3 "The management of the organisation's cash flows, its banking, money market and capital market transactions; the effective management of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
- 1.4 Oxford City Council regards the successful identification, monitoring and management of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.
- 1.5 This Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

2.0 The Code

- 2.1 Oxford City Council accepts the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice as described below:
1. The Council has put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities.
 2. These policies and practices make clear that the effective management of risk, having regard to return, is prime objective of the treasury management activities.

3. The Council acknowledges that the pursuit of best value in treasury management, and the use of suitable performance measures, are valid and important tools to employ in support of their business and service objectives; and that within the context of effective risk management, our treasury management policies and practices should reflect this.
 4. In order to achieve this, the Council:
 - ◆ has adopted a treasury management policy statement
 - ◆ has adopted Treasury Management Practices (TMPs)
- 2.2 Accordingly, the Council will maintain, as cornerstones for effective treasury management:
- ◆ A treasury management policy statement, stating policies and objectives of its treasury management activities
 - ◆ Suitable Treasury Management Practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how the Council will manage and control those activities
- 2.3 The contents of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of the Council. Such amendments will not result in the Council materially deviating from the Code's key recommendations. The TMPs are shown at Annex A.
- 2.4 The Council will receive reports on its treasury management policies, practices and activities, including an annual strategy and plan in advance of the year, and an annual report after its close, in the form prescribed in the TMPs.
- 2.5 Responsibility for the implementation and monitoring of its treasury management policies and practices is delegated to the Executive Board, and responsibility for the execution and administration of treasury management decisions to the Section 151 Officer, who will act in accordance with the policy statement and TMPs and if the Section 151 Officer is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.
- 3.0 Formulation of a Treasury Management Strategy**
- 3.1 Whilst this Policy document and TMPs outlines the procedures and considerations for the treasury function as a whole, the Treasury Management Strategy sets out the specific expected treasury activities for the forthcoming financial year.
- 3.2 The formulation of the annual Treasury Management Strategy involves determining the appropriate investment and borrowing decisions in the light of anticipated movements in interest rates.
- 3.3 Treasury Management Strategy is also concerned with the following elements:
- ◆ for interest rates the prospects
 - ◆ the limits placed by Council on treasury activities;
 - ◆ the expected borrowing strategy;
 - ◆ investment versus debt redemption;
 - ◆ debt rescheduling

Treasury Management Practices

4.0 TMP1 Treasury Risk Management

4.1 The Section 151 Officer shall:

- ◆ Design, implement and monitor all arrangements for the identification, management and control of treasury management risk
- ◆ report at least annually on the adequacy/suitability thereof, and
- ◆ report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the Council's objectives in this respect, all in accordance with the procedures set out in **TMP6 Reporting requirements and management information arrangements**

4.2 In respect of each of the following risks, arrangements which seek to ensure compliance with these objectives, which will be set out in the schedules to this document, to be reported to Executive Board at a later date.

4.3.1 *Liquidity*

Objective: Adequate but not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable the Council at all times to have the level of funds available to which are necessary for the achievement of its service objectives.

4.3.2 *Interest Rates*

Objective: Management of the Council's exposure to fluctuations in interest rates with a view to containment of its net interest costs, or securing its interest revenues, in accordance with the amounts provided in the Revenue Estimates in accordance with **TMP6 Reporting requirement and management information arrangement**.

4.3.3 *Exchange Rates*

Objective: Management of the Council's exposure to fluctuations in exchange rates so as to minimize any detrimental impact on its budgeted income/expenditure levels.

4.3.4 *Inflation*

Objective: Control of exposure to effects of inflation, insofar as they can be identified as impacting directly on its treasury management activities.

4.3.5 *Credit and Counterparties*

Objective: To secure the principal sums invested. A formal counterparty list will be maintained and the named organizations and limits will reflect a prudent attitude towards organizations with whom funds may be deposited, our current lending list can be seen at Appendix B This action will limit the Council's

investment activities to the instruments, methods and techniques referred to in **TMP4 Approved Instruments, methods and techniques and listed in the schedule to this document**. The need to have and maintain a formal counterparty policy in respect of those organizations from which it may borrow, or with whom it may enter into other financial arrangements.

4.3.6 *Rescheduling & Refinancing of Debt*

Objective : All borrowing, private financing and partnership arrangements will be negotiated, structured and documented, and the maturity profile of debt will be managed with a view to obtaining terms for renewal or refinancing, if required, which are competitive and as favourable to the organization as can reasonably be achieved in the light of market conditions prevailing at the time.

Relationships with counterparties in these transactions will be managed in such a manner as to secure this objective, and will avoid over-reliance on any one source of funding if this might jeopardize achievement of the above.

4.3.7 *Legal and Regulatory*

Objective: Compliance with statutory power and regulatory requirements for all treasury activities. The Council will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities.

In framing its credit and counterparty policy under **TMP1 [3] Credit and counterparty risk management**, the Council will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the organization, particularly with regard to duty of care and fees charged.

The Council will seek to minimize the impact of future legislative or regulatory changes on its treasury management activities so far as it is reasonably able to do so.

4.3.8 *Fraud, Error and Corruption, and Contingency Management*

Objective: Identification of circumstances which may expose the Council to the risk of loss through fraud, corruption or other eventualities in its treasury management dealings. Design & implementation of suitable systems and procedures and maintenance of effective contingency management arrangements to counter such risks.

4.3.9 *Market Risk*

Objective: Protection from adverse market fluctuations in the value of the principal sums invested.

5.0 TMP2 Best Value and Performance Measurement

- 5.1 The Council actively works to promote best value in its treasury management activities. The treasury management function will be the subject of regular reviews to identify scope for improvement. Performance will be measured using the indicators set out in the schedules.

6.0 TMP3 Decision Making and Analysis

- 6.1 Full records will be maintained of its treasury management decisions, and of the processes and practices applied in reaching those decisions to demonstrate that reasonable steps have been taken to ensure that all issues relevant to those decisions were taken into account. The issues to be addressed and processes and practices to be pursued in reaching decisions will be included in the schedules.

7.0 TMP4 Approved Instruments, Methods and Techniques

- 7.1 Only approved instruments, methods and techniques will be used, within the limits defined in **TMP1**, "*Risk management*", these will be included in the schedules.

8.0 TMP5 Organisation, Clarity and Segregation of Responsibilities, and Dealing Arrangements

- 8.1 Treasury management activities will be properly structured in a clear and open fashion and a rigorous discipline of segregation of duties will be enforced to ensure effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance.
- 8.2 The principles on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.
- 8.3 If and when this organization intends, as a result of lack of resources or other circumstances, to depart from these principles, the Section 151 Officer will ensure that the reasons are properly reported in accordance with **TMP6** *Reporting requirements and management information arrangements*, and the implications properly considered and evaluated.

- 8.4 The Section 151 Officer will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangement for absence cover. The present arrangements will be detailed in the schedules.
- 8.5 The Section 151 Officer will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The present arrangements will be detailed in the schedules.
- 8.6 The delegations to the Section 151 Officer in respect of treasury management will be set out in the schedules. The Section 151 Officer will fulfill all such responsibilities in accordance with Oxford City Council's policy statement and TMPs and, if a CIPFA member, the Standard of Professional Practice on Treasury Management.

9.0 TMP6 Reporting Requirements and Management Information Arrangements

- 9.1 Regular reports will be prepared for consideration by the Strategy & Resources Committee on:
- ◆ the implementation of its treasury management policies
 - ◆ the effects of decisions taken and the transactions executed in pursuit of those policies
 - ◆ the implications of changes resulting from regulatory, economic, market or other factors affecting its treasury management activities; and
 - ◆ the performance of the treasury management function
- 9.2 As a minimum, the full Council will receive:
- ◆ an Annual Report on the strategy and plan to be pursued in the forthcoming year
 - ◆ an Annual Report on the performance of the treasury management function in the previous year and on any circumstances of non-compliance with the organization's Treasury Management Policy Statement and TMPs

The present arrangements and the form of these reports will be detailed in the schedules.

10.0 TMP7 Budgeting, Accounting and Audit Arrangements

- 10.1 The Section 151 Officer will prepare and the full Council will approve and, if necessary, from time to time will amend, an annual budget for treasury

management, which will bring together all of the costs involved in running the treasury management function, together with associated income.

- 10.2 The matters to be included in the budget will at a minimum be those required by statute or regulation, together with such information as will demonstrate compliance with **TMP1 Risk management**, **TMP2 Best value and performance measurement**, and **TMP4 Approved instruments, methods and techniques**. The form which this organization's budget will be set out in the schedules. The Section 151 Officer will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with **TMP6 Reporting requirements and management information arrangements**.
- 10.3 The Council will account for its treasury management activities in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements. The present form of Oxford City Council's accounts will be set out in the schedules.
- 10.4 The Council will ensure that its auditors, and those charged with regulatory review, have access to all information and papers supporting the activities of the treasury management function as are necessary for the proper fulfillment of their roles, and that such information and papers demonstrate compliance with external and internal policies and approved practices. The information made available under present arrangements will be detailed in the schedules.

11.0 TMP8 Cash and Cash Flow Management

- 11.1 All Council monies shall be aggregated for treasury management purposes and will be under the control of the Section 151 Officer. Cash flow projections will be prepared on a regular and timely basis, and the Section 151 Officer will ensure that these are adequate for the purposes of monitoring compliance with **TMP1 Liquidity risk management**. The present arrangements for preparing cash flow projections, and their form, will be set out in the schedules.

12.0 TMP 9 Money Laundering

- 12.1 Procedures will be enforced for verifying and recording the identity of counterparties and reporting suspicions and will ensure that staff involved in this area are properly trained. In order to safeguard this Authority, any counterparty will need to be registered with the Financial Service Authority (FSA). In this way the counterparty would have had to satisfy the regulatory body requirements including financial integrity. The present arrangements, including the name of the officer to whom reports should be made, will be detailed in the schedules.

13.0 TMP 10 Staff Training and Qualifications

- 13.1 The Council will seek to appoint individuals to the treasury management function who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The Section 151 Officer will recommend and implement the necessary arrangements. The present arrangements will be detailed in the schedules.

14.0 TMP 11 Use of External Service Providers

- 14.1 When external service providers are employed, the Section 151 Officer will ensure it does so for reasons which have been submitted to a full evaluation of the costs and benefits. The terms of their appointment and the methods by which service providers' value will be assessed will be properly agreed and documented, and subjected to regular review.
- 14.2 Where feasible and necessary, a spread of service providers will be used to avoid over-reliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, Council Standing Orders and Financial Regulations plus legislative requirements will always be observed. The monitoring of such arrangements rests with the Section 151 Officer, and details of the current arrangements will be set out in the schedules.

15.0 TMP 12 Corporate Governance

- 15.1 Oxford City Council is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.
- 15.2 The Council has adopted and has implemented the key recommendations of the Code. This, together with the other arrangements detailed in the schedules, are considered vital to the achievement of proper corporate governance in treasury management, and the Section 151 Officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

Treasury Management Strategy

1.0 Commentary on the economic position and forecasts for interest rate movements

1.1 Our Treasury Advisors, Butlers, have provided the following commentary:

1.2 "While it was largely devoid of major shocks in financial markets, 2004 was still a year of contrasting fortunes. Investor sentiments registered significant swings, no more so than in the differing views on interest rate prospects. As ever, the major lead was given by the US, although developments on the domestic front did ensure money market rates and yields swung between extremes.

1.3 The first half of 2004 saw a notable shift towards pessimism. Strong recovery in the US and buoyancy in Far Eastern economies generated concern about global inflation prospects, leading to fears of tighter monetary policies in the world's industrialised nations, and driving interest rates up. In the UK these factors were amplified by the apparent failure of increases in official interest rates to cool demand in key areas.

1.4 As 2004 progressed pessimism receded and a more balanced profile became evident. The rise in oil prices and falling economic growth rates, both in the US and Europe, reduced fears of the need for further significant interest rate rises. In the UK house price inflation finally began to ease and the Bank of England signalled that growth and inflation were likely to be more subdued than it had believed earlier in the year.

1.5 By the end of the year the market consensus shared the official view that interest rates were at, or very close to their peak.

1.6 Looking ahead to 2005 there are expectations that the US will, over time, return to the higher growth rates experienced before the rise in oil prices. However this is not anticipated to raise concerns over prospects for inflation in the next 12 months. US official interest rates are expected to continue their gradual upward movement, though without having any direct impact on the UK.

1.7 The domestic economy is now evidencing a response to the rises in interest rates during 2004 and inflation prospects are considered to be benign, supporting the argument that sterling rates have now peaked. While a further rate increase cannot be ruled out entirely, the apparent absence of a surge in retail spending in recent weeks makes it that much less likely."

2.0 Butlers Forecasts

2.1 Butlers Current Forecasts for Interest Rates in the Medium Term are shown below:

Butlers Medium-Term Rate Forecasts

	Base Rate	Libor			Gilt Yields		
		3 mth	6 mth	12 mth	5 yr	10 yr	20 yr
2003 Dec	3.75	4.1	4.2	4.4	4.6	4.8	4.8
2004 Mar	4.00	4.3	4.4	4.6	4.6	4.8	4.7
Jun	4.50	4.6	4.8	5.2	5.2	5.3	5.1
Sep	4.75	4.9	5.0	5.1	4.8	4.8	4.7
Dec	4.75	4.9	4.9	5.0	4.5	4.5	4.5
2005 Mar	4.75	4.8	4.9	5.0	4.8	4.8	4.7
Jun	4.75	4.8	4.8	4.8	4.9	5.0	5.0
Sep	4.75	4.7	4.6	4.5	4.7	4.9	4.8
Dec	4.50	4.5	4.4	4.3	4.5	4.7	4.6
2006 Mar	4.50	4.5	4.4	4.3	4.5	4.7	4.6

3.0 The Current Treasury Position

The Council's detailed treasury position at 31st December 2004 is shown in the tables below:

<i>Maturity Structure of Investments:</i>						
	<i>Banks</i>	<i>%</i>	<i>Building Soc</i>	<i>%</i>	<i>Total</i>	<i>%</i>
	<i>£000's</i>		<i>£000's</i>		<i>£000's</i>	
<i>Maturity period:</i>						
Call	8,373	32%	-	0%	8,373	14%
1 Month	1,500	6%	8,000	24%	9,500	16%
2 Month	3,500	14%	7,500	22%	11,000	19%
3 Month	2,000	8%	7,500	22%	9,500	16%
4 Month	2,000	8%	3,500	10%	5,500	9%
5 Month	-	0%	1,000	3%	1,000	2%
6 Month	5,000	19%	2,000	6%	7,000	12%
7 Month	-	0%	2,000	6%	2,000	3%
8 Month	1,000	4%	1,000	3%	2,000	3%
9 Month	-	0%	-	0%	-	0%
10 Month	-	0%	-	0%	-	0%
11 Month	-	0%	-	0%	-	0%
12 Month	2,500	10%	1,000	3%	3,500	6%
Total	25,873	100%	33,500	100%	59,373	100%

<i>Maturity Structure of Debt:</i>		
	<i>Amount</i>	<i>Average</i>
	<i>£000's</i>	<i>Rate of</i>
		<i>Interest</i>
<i>Maturity period:</i>		
Within 12 months	92	9.83%
1 to 2 yrs	1,451	9.89%
2 to 3 yrs	493	10.50%
3 to 4 yrs	3,530	10.11%
4 to 5 yrs	567	10.39%
5 to 6 yrs	2,124	10.72%
6 to 10 yrs	3,145	10.43%
10 to 15 yrs	1,912	11.33%
Total	13,313	9.30%

4.0 Investment Strategy 2005/2006

- 4.1 Market expectations of movements in interest rates, on which our investment decisions are based, suggest that there is likely to be a downward movement by the end of 2005. Our forecasts indicate that the Council is likely to retain significant cash holdings throughout 2005/2006 and we will be looking for opportunities to lock in some funds at fixed interest rates for periods of greater than one year to ensure that a good return is achieved, whilst the security of the investments is maintained. The table below shows the framework within which investments will be managed for 2005/2006.

Specified Investments

	Minimum Loan £m	Maximum Period Days
Specified:		
Money Market Funds (AAA rated)	10.0	364
Debt Management Office Account (DMO)	10.0	364
UK Clearing Banks and their wholly owned subsidiaries	8.0	364
Co-operative Bank	5.0	364
Other Merchant Banks	5.0	364
Foreign Banks F1+/AA- (or equivalent)	8.0	364
Foreign Banks F1/A (or equivalent)	5.0	364
All Building Societies with an asset base £1bn to £2bn and credit rating F1/A- (or equivalent)	2.5	183
All Building Societies with an asset base of greater than £2bn and credit rating F1/A- (or equivalent)	5.0	364
All Building Societies with an asset base of greater than £2bn and credit rating F1+/AA- (or equivalent)	8.0	364

Non-Specified Investments

	Maximum Loan £m	Maximum Period £m
Unspecified:		
Specified Organisations only - maximum 25% per counterparty	10.0	>364

5.0 Borrowing Strategy 2005/2006

- 5.1 The Council has not entered into any new borrowing during 2004/2005. In order to fund the capital programme in 2005/2006 and future years it is possible that some new borrowing may be required within the next few years. The timing and form of any borrowing will be determined by the Strategic Director, Finance and Corporate Services, taking into account market conditions, and seeking to obtain as competitive terms as possible, whilst balancing the risk inherent in such transactions. In recent years the Council has financed some of its capital requirements, for vehicle and plant replacement, for example, through operating leases, to keep capital spending within available resources. The introduction of the Prudential Code has

enabled us to review this practice and develop a model to assess the most efficient funding route in each case and to date no new leases have been entered into in 2004/2005.

THIS REPORT HAS BEEN SEEN AND APPROVED BY: Cllr. Alex Hollingsworth,
Leader of the Council and Mark Luntley, Strategic Director, Finance and Corporate
Services

Background papers: None

Prudential indicators

Section 1 - Affordability

Estimates of the ratio of financing costs to net revenue stream

(a) General Fund

	2005/2006 Estimate %	2006/2007 Estimate %	2007/2008 Estimate %
Ratio	-4.4%	-4.8%	-5.9%

(b) Housing Revenue Account

	2005/2006 Estimate %	2006/2007 Estimate %	2007/2008 Estimate %
Ratio	9.6%	9.9%	10.4%

Estimates of the incremental impact of capital investment decisions on the

Council Tax

	2005/2006 Estimate £	2006/2007 Estimate £	2007/2008 Estimate £
	7.07	9.27	3.07

Estimates of the incremental impact of capital investment decisions on

housing rents

	2005/2006 Estimate £	2006/2007 Estimate £	2007/2008 Estimate £
	1.26	1.23	1.22

Estimates of capital expenditure

(a) General Fund

	2005/2006 Estimate £000's	2006/2007 Estimate £000's	2007/2008 Estimate £000's
	7073	9268	3074

(b) Housing Revenue Account

	2005/2006 Estimate £000's	2006/2007 Estimate £000's	2007/2008 Estimate £000's
	11626	11359	11296

Estimates of capital financing requirement (underlying need to borrow for a capital purpose)

	2005/2006 Estimate £000's	2006/2007 Estimate £000's	2007/2008 Estimate £000's
	14168	17168	20168

Authorised Limit for External Debt

	2005/2006	2006/2007	2007/2008
	£000's	£000's	£000's
Borrowing	22,000	25,000	30,000
Other Long Term Liabilities	4,000	4,000	4,000
Total	26,000	29,000	34,000

Operational Boundary for External Debt

	2005/2006	2006/2007	2007/2008
	£000's	£000's	£000's
Borrowing	20,000	22,000	25,000
Other Long Term Liabilities	3,000	3,000	3,000
Total	23,000	25,000	28,000

Section 2 - Prudence

Compliance with the CIPFA code of Practice for Treasury Management in the Public Sector

Upper limit on fixed interest rate borrowing

	2005/2006	2006/2007	2007/2008
	Estimate	Estimate	Estimate
	%	%	%
	100	100	100

Upper limit on variable interest rate borrowing

	2005/2006	2006/2007	2007/2008
	Estimate	Estimate	Estimate
	%	%	%
	25	25	25

Upper limit for the maturity structure of borrowings

	2005/2006	2006/2007	2007/2008
	Estimate	Estimate	Estimate
	%	%	%
Under 12 months	20	20	20
12 months to 2 years	20	20	40
2 years to 5 years	60	75	75
5 years to 10 years	50	50	50
10 year and above	50	50	50

Lower limit for the maturity structure of borrowings

	2005/2006	2006/2007	2007/2008
	Estimate	Estimate	Estimate
	%	%	%
Under 12 months	0	0	0
12 months to 2 years	0	0	0
2 years to 5 years	0	0	0
5 years to 10 years	0	0	0
10 year and above	0	0	0

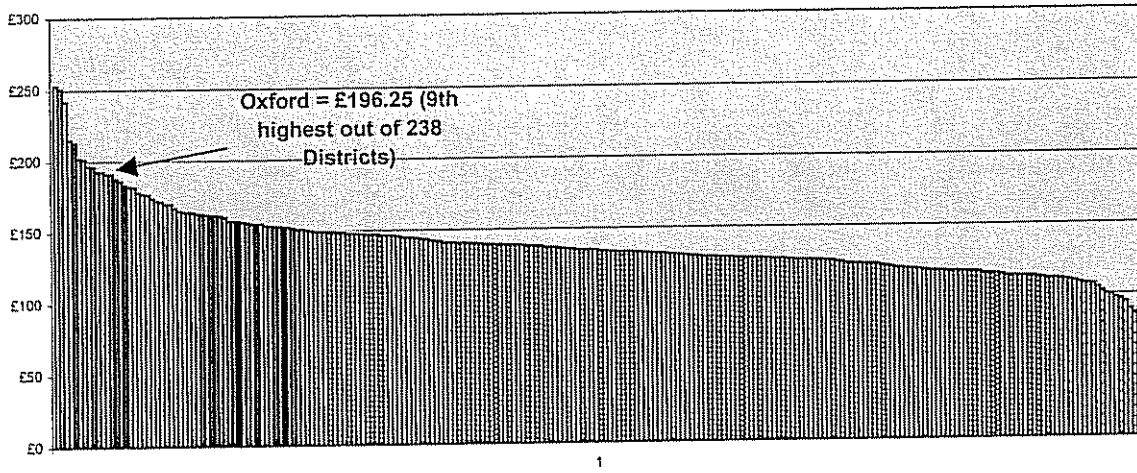
Upper limit for principal sums invested for periods longer than 364 days

2005/2006
Estimate
£m
10

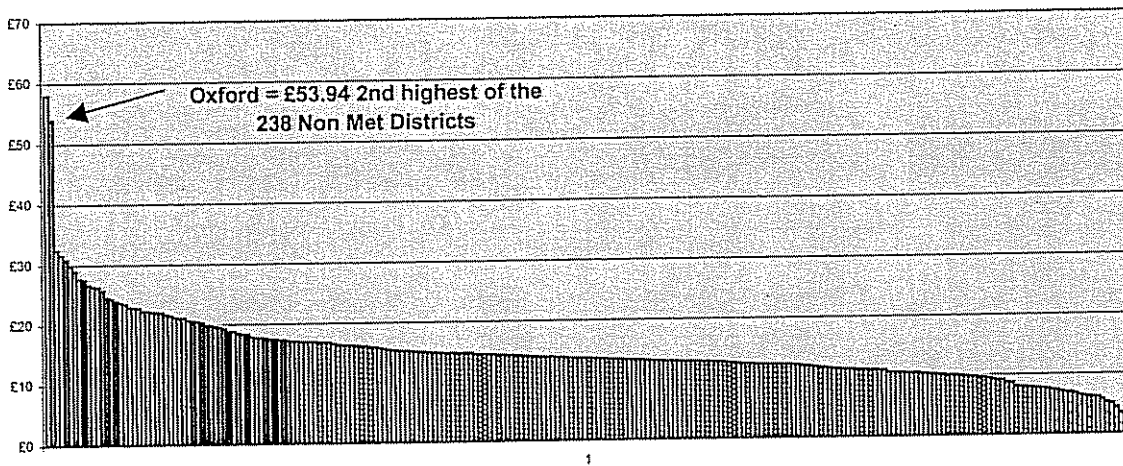
SECTION 8

COMPARATIVE GRAPHS

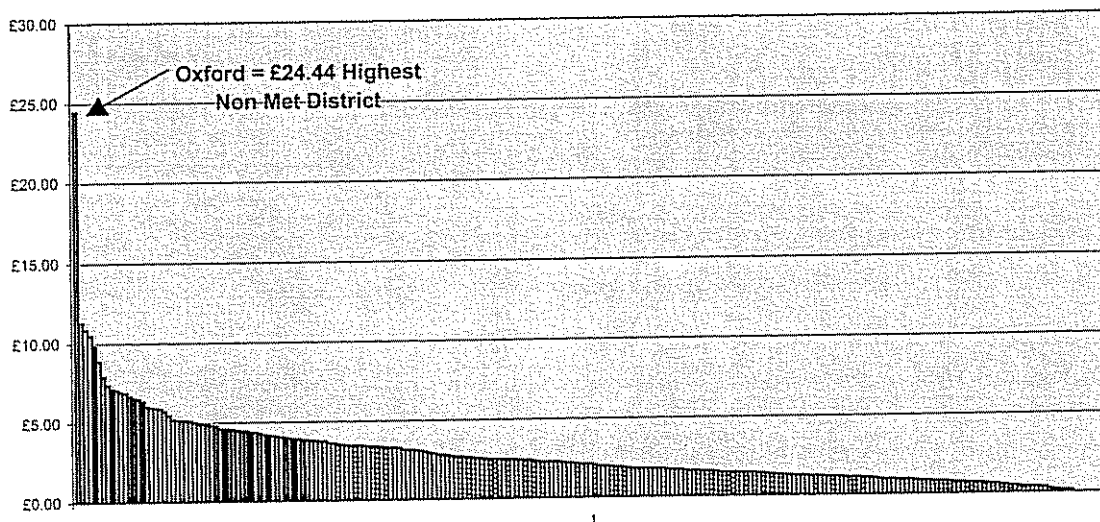
Total Service Expenditure - per head 2004/05 (All Non Met Districts)



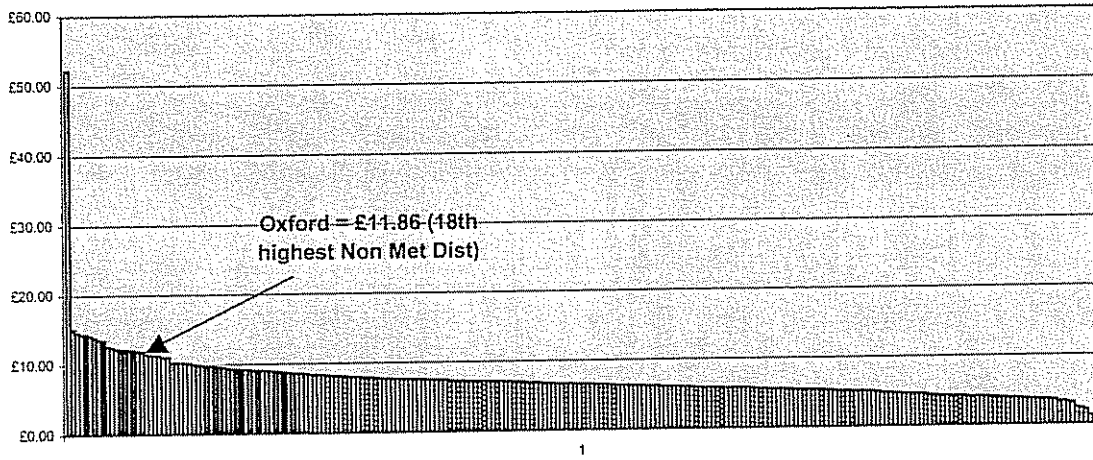
TOTAL HOUSING SERVICES - est. expend per head 2004/05



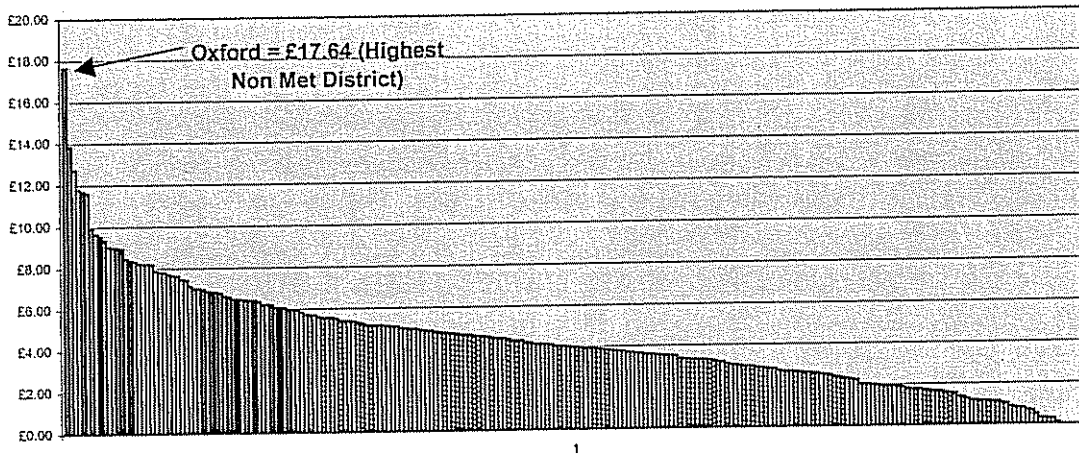
HOMELESSNESS - Est. Expend per head of popn 2004/05



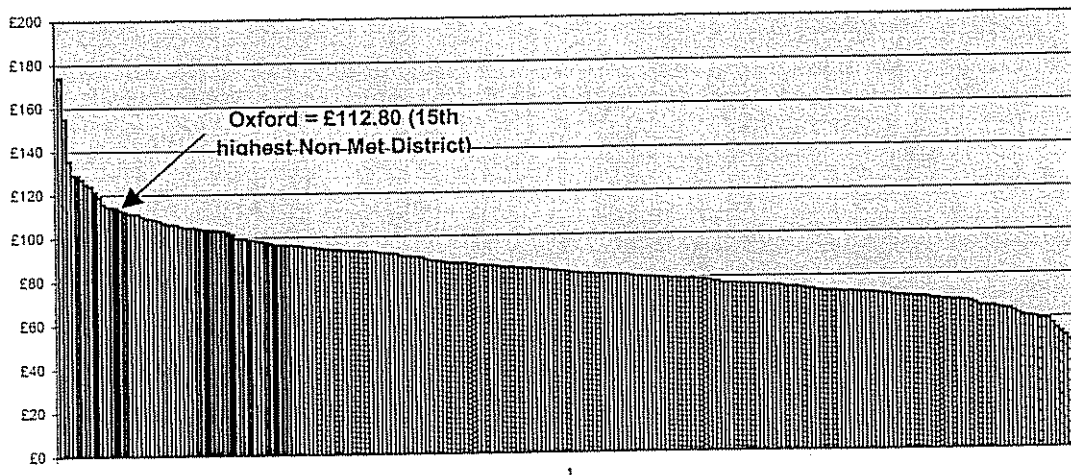
HOUSING BENEFIT ADMIN - Est Expend per head of popn. 2004/05



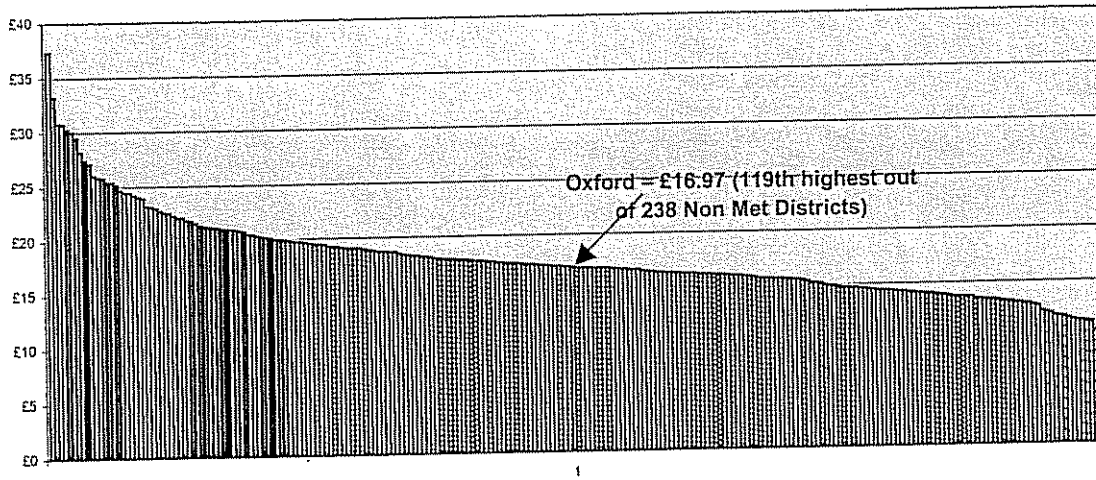
OTHER NON-HRA HOUSING - Est Expend per head of popn. 2004/05



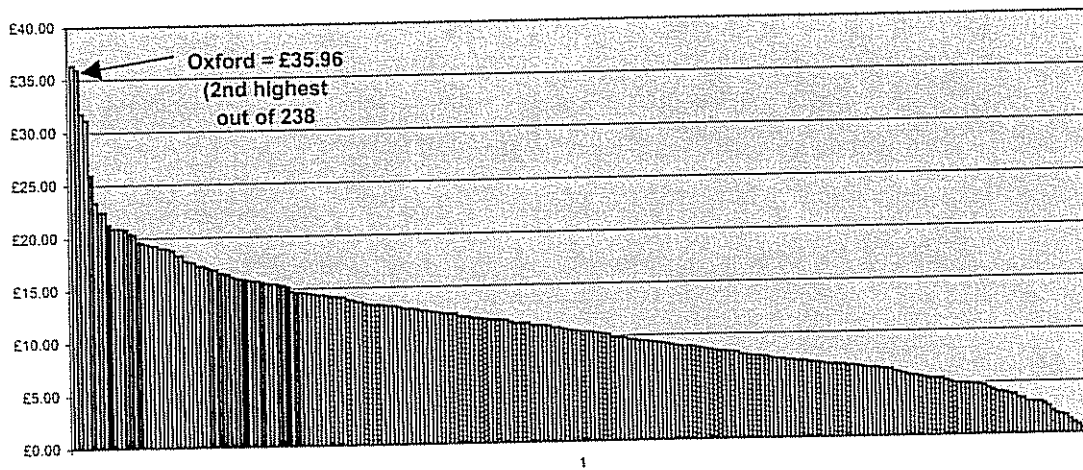
TOTAL CULTURAL, ENVIRONMENTAL AND PLANNING SERVICES - Est. Expend. per head of popn. 2004/05



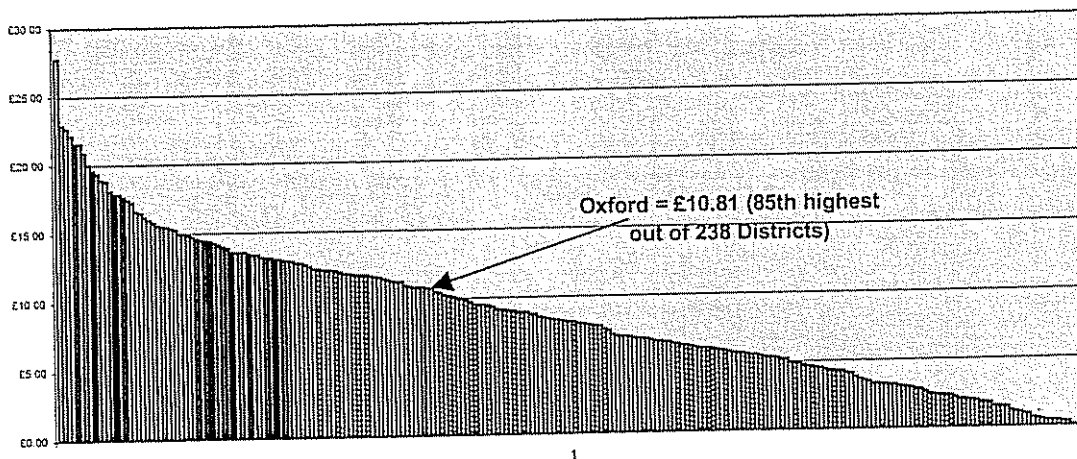
WASTE COLLECTION - Est. Expend per head of popn. 2004/05



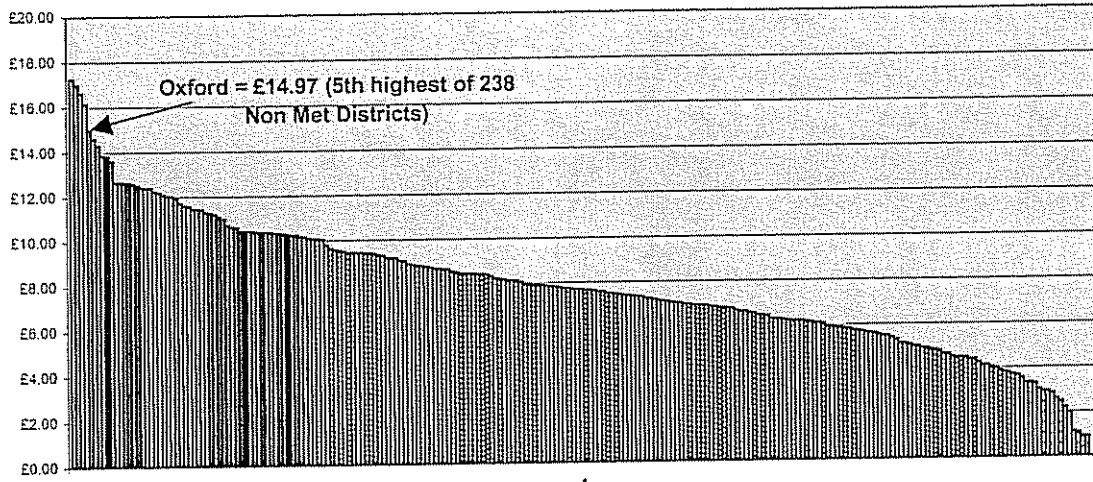
RECREATION AND SPORT - expenditure per head 2004/05 estimates (All Non Met Districts)



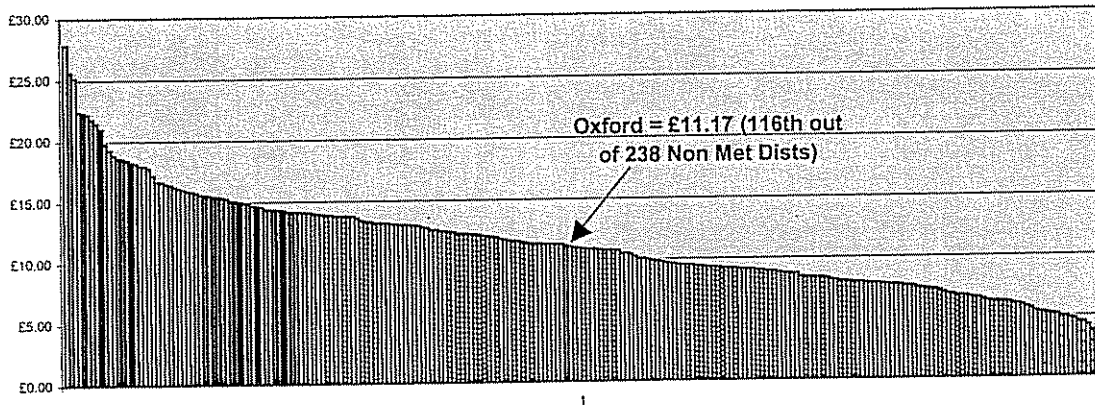
PARKS AND OPEN SPACES - expenditure per head 2004/05 estimates (All Non Met districts)



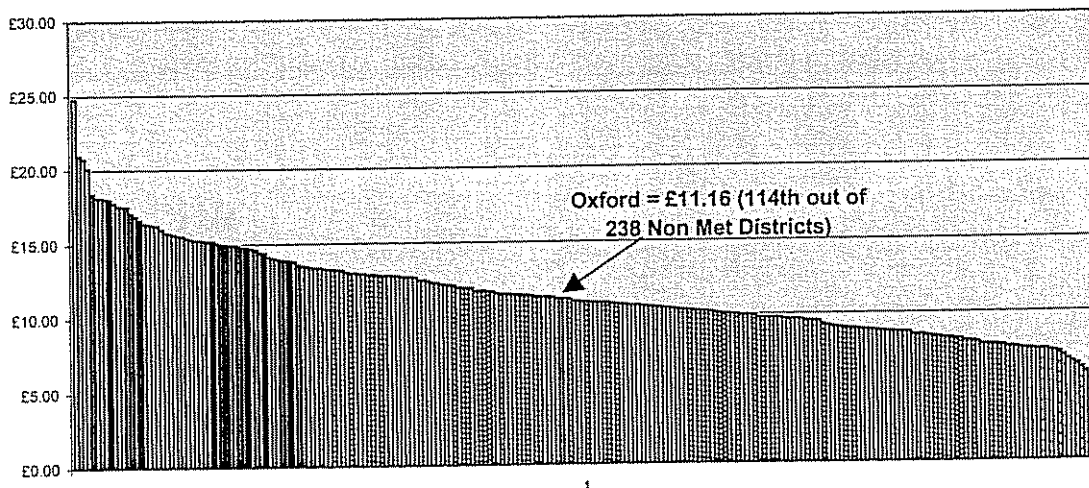
STREET CLEANSING - Est Expend. per head of popn. 2004/05



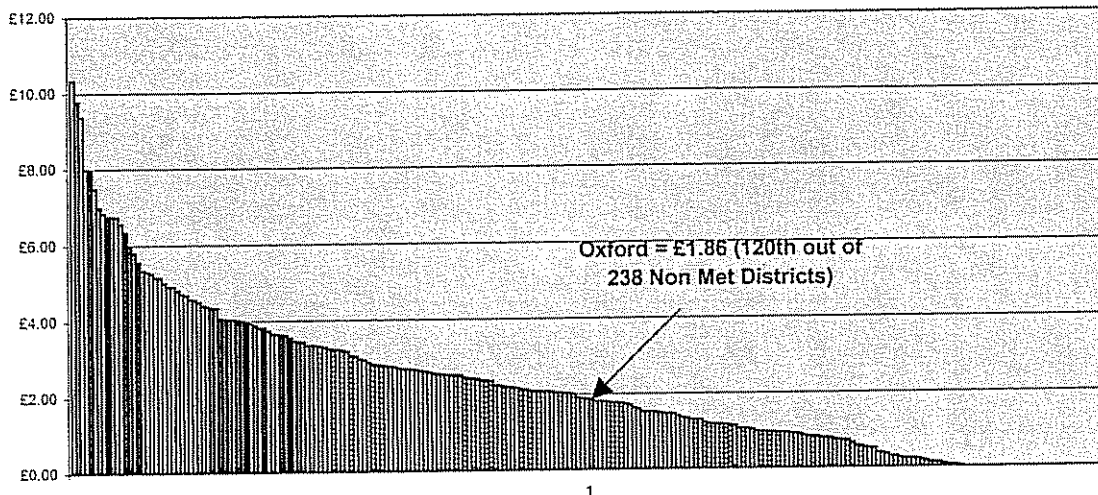
PLANNING POLICY, BUILDING & DEVELOPMENT CONTROL; ENVIRONMENTAL INITIATIVES - Est. Expend per head of popn 2004/05



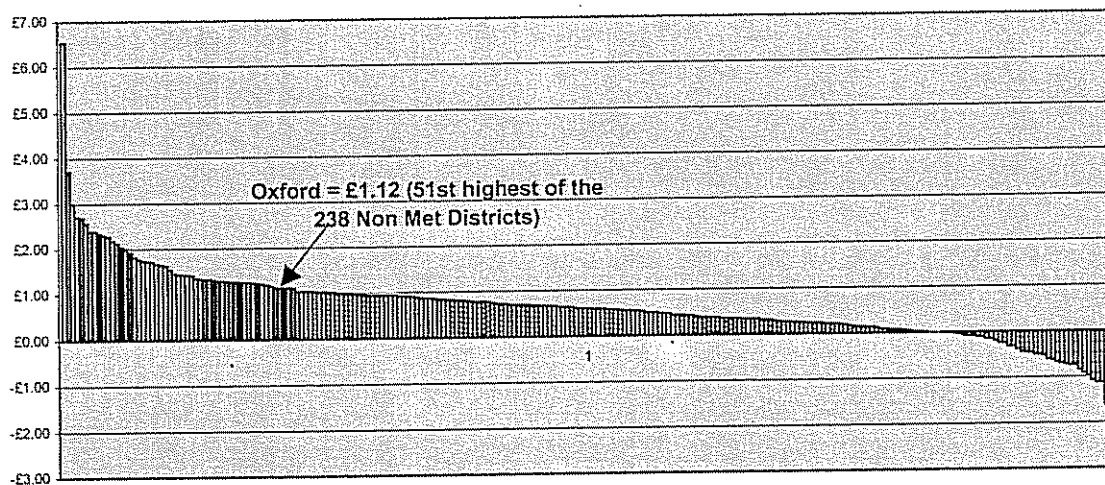
ENVIRONMENTAL & PUBLIC HEALTH SERVICES - Est Expend per head of popn 2004/05



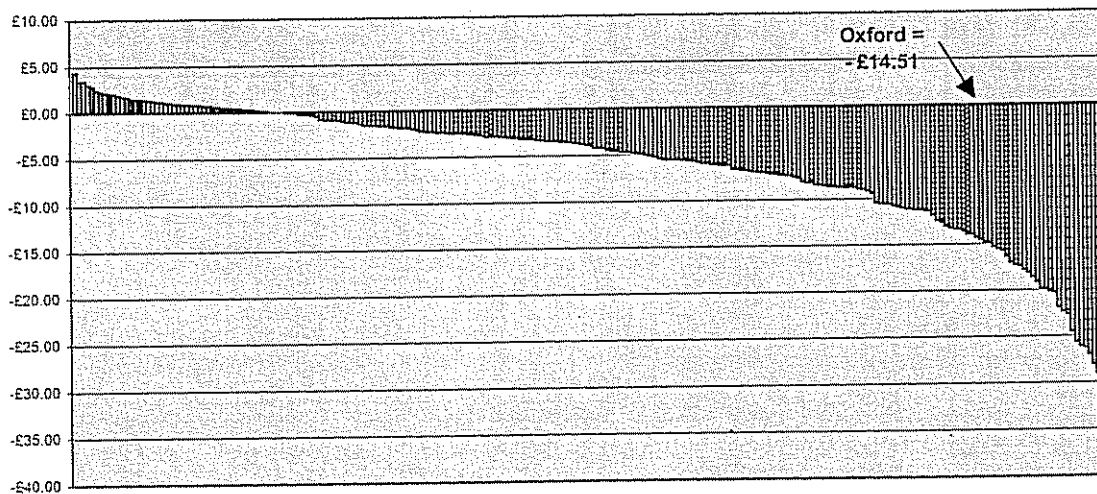
TOURISM - Est Expend per head 2004/05



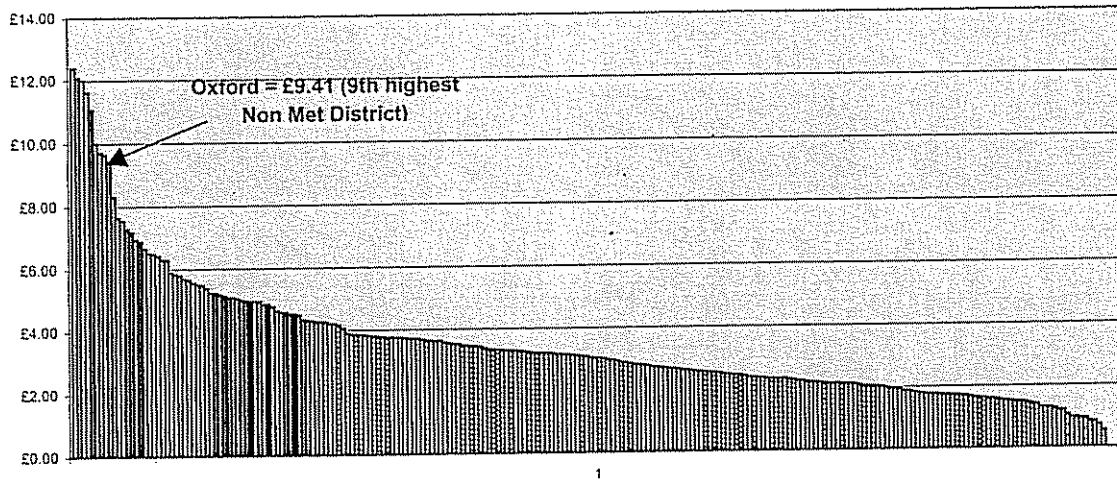
LICENSING - Est. Expend. per head 2004/05



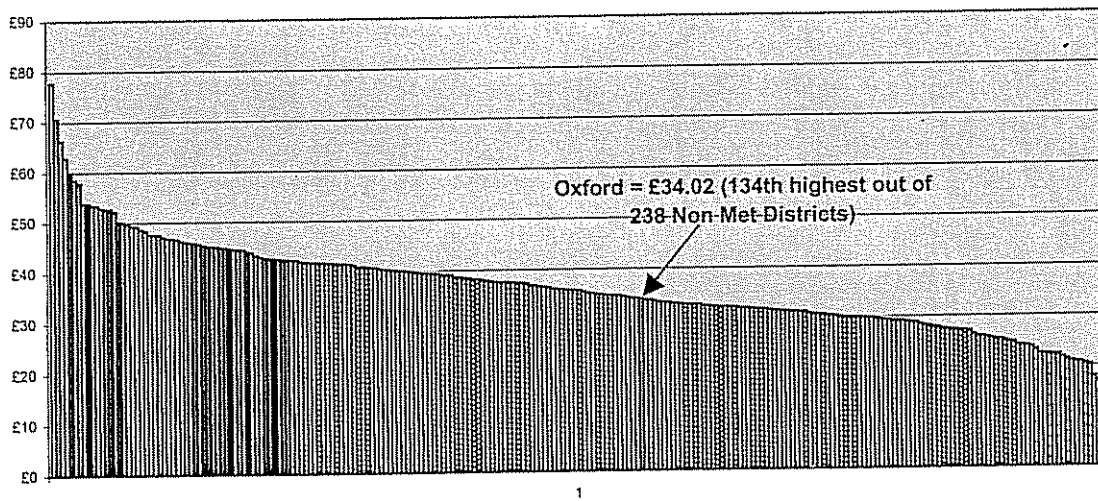
PARKING - Est Expend / Income per head of popn. 2004/05



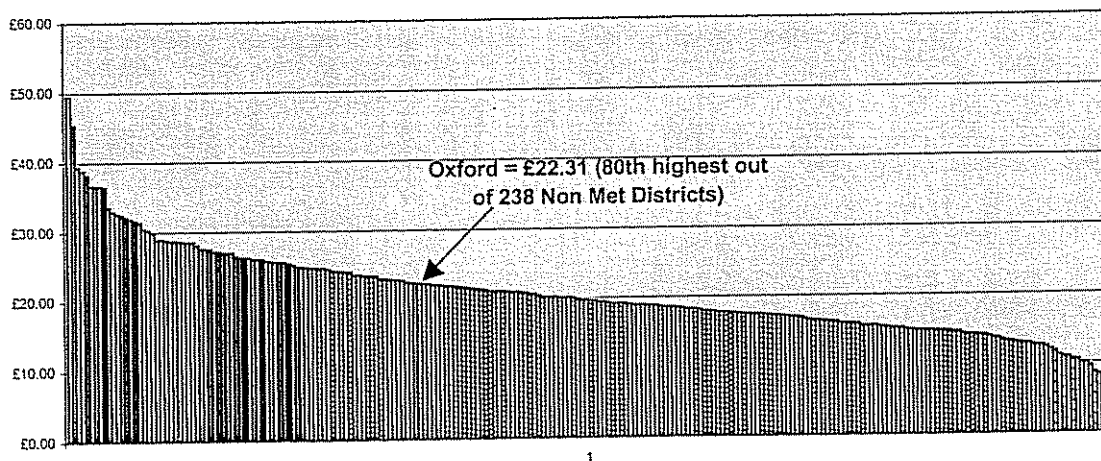
PUBLIC TRANSPORT - CONCESSIONARY FARES AND RAIL SUPPORT - Est Expend per head 2004/05



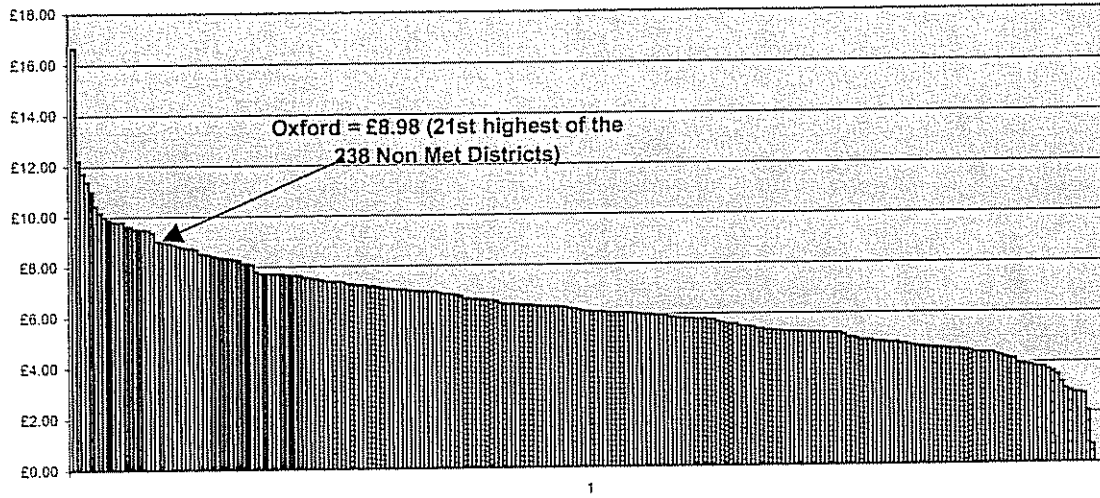
TOTAL CENTRAL SERVICES - Est Expend per head of popn 2004/05



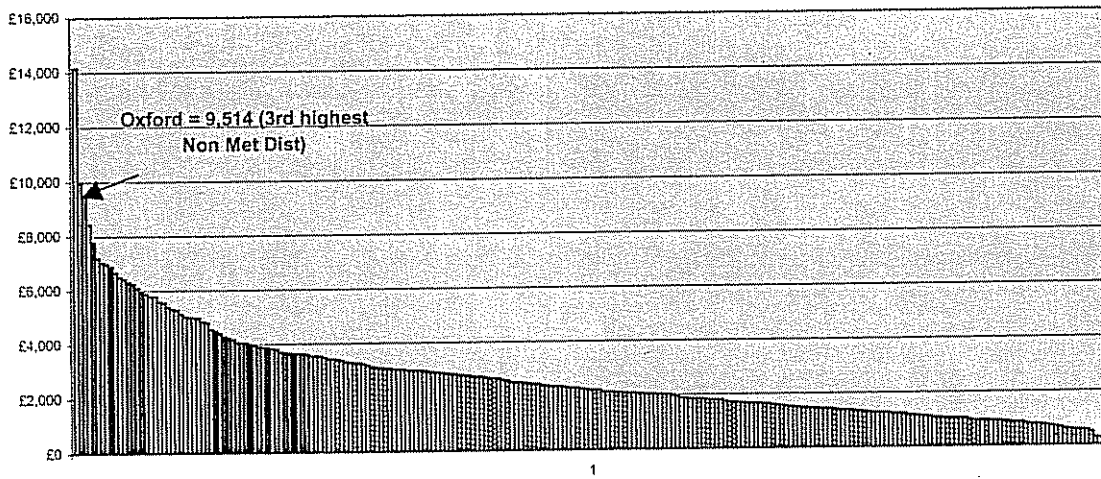
CORPORATE & DEMOCRATIC CORE



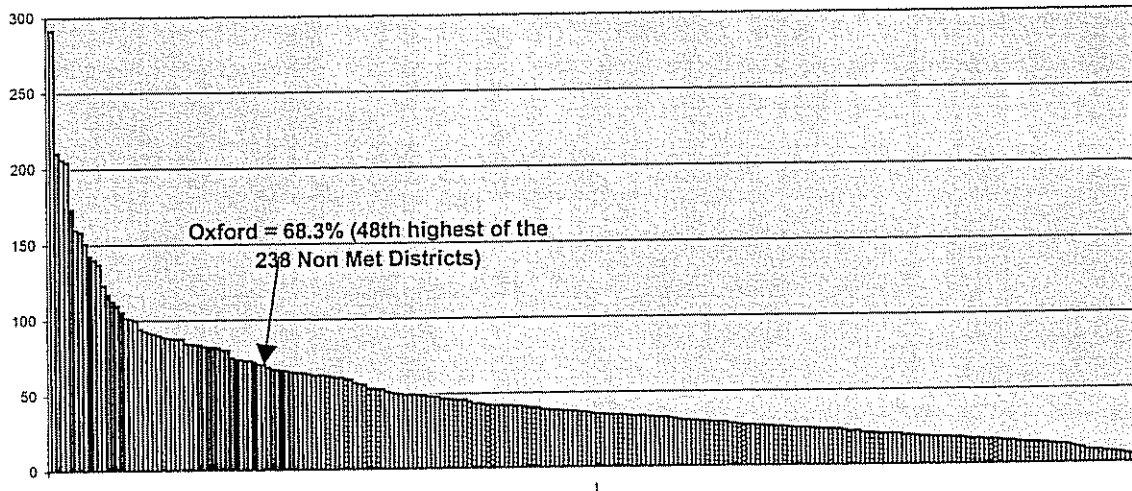
OTHER LOCAL TAXATION COLLECTION COSTS - Est Expend per head of popn 2004/05



CAPITAL CHARGES 2004/05 (£'000)



FINANCIAL RESERVES as a % of Net Revenue Expenditure 2004/05



SECTION 9

BUDGET SAVINGS 2005/2006

GENERAL FUND BUDGET SAVINGS 2005/2006

	Cost Pressures	Savings
B01 Strategy & Review		
Inflation increase	£15,810	
Policy to down grade vacancies as they arise		-£5,000
2 months vacant post		-£7,000
Reduced use of consultants		-£3,810
B03 Human Resources		
Inflation increase	£10,565	
Increase to Diversity budget to be deleted		-£8,500
To be taken from redeployment budget		-£2,065
To be taken from the central training budget		£0
Remainder to be achieved from vacant post in staffing budget if necessary		£0
B06 Chief Executive		
Inflation increase	£38,000	
Reduce admin support		-£38,000
B08 Corporate & Democratic Core		
Inflation increase	£30,000	
B20 Financial & Asset Management		
Inflation increase	£187,600	
Gloucester Green Security Contract		-£36,000
External Fees - property		-£6,000
Additional Parking Zones		-£15,000
Eureka		-£8,000
Accountancy staffing		-£80,000
Additional rental income		-£42,600
B21 Revenues & Benefits		
Inflation increase	£120,000	
Staffing		-£120,000
B22 Legal & Democratic Services		
Inflation increase	£66,086	

	Cost Pressures	Savings
Agenda print costs		-£7,600
Increased legal income from third parties		-£8,000
Saving yet to be identified		-£49,852
B23 Audit & Risk		
Inflation increase	£20,422	
Increase income from Government anti-fraud incentive scheme subsidy		-£20,422
B24 Business Systems		
Inflation increase	£90,718	
Deletion of posts		-£90,718
B26 Facilities Management		
Inflation increase	£66,404	
Increase Town Hall income		-£15,000
Reduce 1 caretaker post		-£19,855
Reduce 1 admin post by devolving work to BU's and supervisor post becoming surplus		-£21,662
Inflation increase adjustment for posts deleted and posts transferred to L&D and RH BU's		£1,265
Reduce supplies and services		-£4,612
B41 Customer Services		
Inflation increase	£85,501	
B44 Neighbourhood Renewal		
Inflation increase	£67,295	
RSL Contracts		-£10,000
Income & Grants from external agencies to fund existing staff		-£15,000
Extended charges to all development schemes		-£30,000
FA21 leasing charges still to be clarified to see if equipment is still being leased		-£12,295
B45 Environmental Health		
Inflation increase	£88,000	
Absorb approved budgetary uplift over 2004/05 budget		-£70,677
Efficiency savings from Admin changes to door supervisor scheme		-£1,100

	Cost Pressures	Savings
Extend recalibration cycle for instrumentation (from good to minimum)		-£1,383
Reduce SEHO hours of work from 18.5 hours per week to 16 at officers request.		-£2,840
Reduce transport costs via change of travel medium.		-£3,600
Increase income from food hygiene courses.		-£2,600
Increase income from pollen counting.		-£1,000
Increase income from contaminated land searches.		-£1,200
Deletion of external consultants work for DEFRA submissions		-£2,350
Income from new work for national physical laboratory		-£1,250
B46 Housing Services		
Inflation increase	£46,852	
Continued savings from reduction in number of homelessness acceptances and improved procurement of temporary accommodation should be sufficient to ensure that the overall budget requirement of the General Fund functions of the Business Unit remain within the base budget, taking account of wage and superannuation Inflation increase.		-£46,852
B60 Built Environment		
Inflation increase	£95,691	
Increased capital fee income from development & PRS		-£25,051
Increased income from Building Control to cover increase in employee costs		-£70,640
B61 City Works		
Inflation increase	£286,523	
MT - reduction in short term vehicle hire costs		-£40,000
Trade Waste: customer increase (04/05)		-£50,000
Trade Waste: Price increase		-£22,000
Recycling sales based on target growth		-£34,000
Recycling Credits Increase		-£61,000
Current haulage costs for paper to be met by Aylesford if Council agrees to fixed term contract at agreed price of £45 per tonne		-£42,000
Vehicle tax evasion		-£4,000
Base correction to Engineering services transport fleet charges to reflect income budget on MT		-£20,200

	Cost Pressures	Savings
Domestic refuse Excess mileage payments increases at 2% per annum from County Council		-£4,900
Net surplus adjustment to Engineering budget		-£10,000
Review of jetting charges		-£2,000
S.42 administration fees		-£2,000
B62 Planning		
Inflation increase	£96,111	
Freeze 2 post, wherever occur		-£66,111
Fund 1 Policy post from Local Plan consultants		-£30,000
B64 Transport & Parking		
Inflation increase	£65,071	
Deletion of vacant posts		-£63,235
Posts held vacant during year		-£40,646
Income target on enforcement		-£40,000
Cut evening cover on P&R		£0
B65/B66 Parks and Leisure		
Inflation increase	£256,433	
Net loss of income from 3rd party running swimming lessons implemented by end of Sept 05	£80,000	
Move events to partnership		-£25,000
Leisure & Parks section staffing		-£46,000
Cut up to 2 FTE in Parks		-£10,000
Increase Parks charges by 5%		-£60,000
Introduce concessions in Parks		-£5,000
Increase lesiure charges by 5%		-£105,000
Sub-letting of plant nursery in Cutteslow		-£5,000
Leisure section staffing		-£80,000